

D.P.U. 93-8D

Application of Western Massachusetts Electric Company:

(1) under the provisions of G.L. c. 164, § 94G and the Company's tariff, M.D.P.U. 704, for approval by the Department of Public Utilities of a change in the quarterly fuel charge to be billed to the Company's customers pursuant to meter readings in the billing months of December 1993, January and February 1994; and

(2) for approval by the Department of rates to be paid to Qualifying Facilities for purchases of power pursuant to 220 C.M.R. 8.00. The rules established in 220 C.M.R. 8.00 set forth the filings to be made by electric utilities with the Department, and implement the intent of sections 201 and 210 of the Public Utilities Regulatory Policies Act of 1978.

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APPEARANCES:

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ELECTRIC

FOR: WESTERN MASSACHUSETTS  
COMPANY

Petitioner

## I. INTRODUCTION

On November 2, 1993, pursuant to G.L. c. 164, § 94G and 220 C.M.R. 8.00, Western Massachusetts Electric Company ("WMECo" or "Company") filed with the Department of Public Utilities ("Department") a proposed quarterly change to its fuel charge in conformance with its tariff, M.D.P.U. 704, and to its Qualifying Facility ("QF") power purchase rates in conformance with its tariff, M.D.P.U. 586. The Company requested that both these changes be effective for bills issued pursuant to meter readings for the billing months of December, 1993 and January and February 1994. This matter was docketed as D.P.U. 93-8D.

Pursuant to notice duly issued, a public hearing on the Company's application was held on November 17, 1993 at the Department's offices in Boston. Notice of the hearing was published in the Springfield Daily News, the Greenfield Recorder Gazette, the Berkshire Eagle, the Daily Hampshire Gazette, and the Boston Globe. The Company also complied with the requirement to mail a copy of the notice of the hearing to all persons with whom the Company has special retail contracts that do not incorporate a filed rate, and to all intervenors and their respective counsel from the Company's prior two fuel charge proceedings. No petitions for leave to intervene were filed.

At the hearing, the Company sponsored two witnesses: Robert A.

Baumann, manager of fuel accounting and recovery, and Stan Puzio, supervisor in fuel recovery. The Company submitted two exhibits and responded to four information requests and two record requests.

The Company is a wholly-owned subsidiary of Northeast Utilities ("NU") of Hartford, Connecticut, a public utility holding company. NU's other subsidiaries, affiliates of WMECo, include Connecticut Light and Power Company, Holyoke Water Power Company, Northeast Nuclear Energy Company, Charter Oak Energy, Inc., and Northeast Utilities Service Company ("NUSCo"), which provides engineering, technical and other services for NU companies. Two other subsidiaries, Rocky River Realty Company and Quinnehtuk Company, are involved in real estate matters. WMECo receives some of its power requirements pursuant to contractual rights from utilities both within and without the NU system. In addition, WMECo owns nine generating units. WMECo is engaged in the generation, transmission, and distribution of electric power to serve, on average during 1992, 191,912 customers in its service territory, which includes over 50 cities and towns in Western Massachusetts. WMECo's total sales to ultimate customers, as shown in its 1992 financial report provided to the Department, were \$385,698,813.

## II. FUEL CHARGE

On November 10, 1993, the Company filed with the Department its proposed changes to its fuel charge and QF power purchase rates for the months of December, 1993, January and February, 1994. For these billing months, the Company proposes a fuel charge of \$0.00905 per kilowatthour ("KWH").<sup>1</sup> The proposed fuel charge is \$0.00453 per KWH more than the fuel charge of \$0.00452 per KWH approved by the Department in Western Massachusetts Electric Company, D.P.U. 93-8C (1993) for meter readings for the billing months of September, October, and November, 1993.

The Company's witness, Mr. Puzio, stated that the primary reasons for the increase in the proposed fuel charge are higher capacity expenses caused by higher operation and maintenance expenses, and higher energy expenses caused by increased loads (Tr. at 8). These higher costs are slightly offset by a decrease in the spent nuclear fuel disposal costs due to lower interest rates and the change in the prior period reconciliation (id.).

The higher capacity expenses are affected by purchases of capacity (Tr. at 13). The Company has had a lower level of capacity sales this

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1 The fuel adjustment clause of \$0.00934 per KWH as proposed in its November 10, 1993 filing (Exh. WM-1), was subsequently revised on November 17, 1993 to \$0.00905 per KWH (Exh. WM-2).

quarter because some of the contracts WMECo had with other companies have expired (id.). As a result, the projected Northeast Utilities Generation and Transmission credit for the forecasted quarter is \$11,459,000 (Exh. WM-1 at 55). Mr. Puzio testified that traditionally, this credit would be slightly higher, perhaps \$13 million (Tr. at 12). However, the credit varies depending upon maintenance and operation expenses (id.).

With respect to higher energy expenses, Mr. Puzio testified that these higher expenses were primarily due to the outage of the Millstone 3 nuclear unit, which was down three weeks longer than anticipated because of repairs to the reactor coolant pump locking cup, a steam generator feedwater nozzle, and the supplementary leak collection and release system (id. at 16,17). The Company projects additional higher energy expenses because the Millstone 1 nuclear fuel plant is scheduled to begin refueling and will be down from January 15 to about the end of March, 1994 (id. at 19, 20).

These increased expenses are partially offset by a decrease to the monthly expense accrual for spent nuclear fuel disposal costs ("SNFDC") incurred for the period prior to April 7, 1983 (Exh. WM-1, Attachment A

at 1).<sup>2</sup> This change is due to a change in interest rate assumptions because actual T-bill interest rates have declined (id.). The accrual rates approved in Western Massachusetts Electric Company, D.P.U. 89-8C (1989) assumed T-bill interest rates through November 1997 to range between 6.5 percent and 8.23 percent (id.). However, the Company now projects these interest rates to be in the 3.00 percent to 3.75 percent range (id.). As a result, the Company will reduce the monthly accrual rate for SNFDC incurred prior to April 7, 1983 from \$244,249 to \$93,860 (id.).

In contrast to the decreasing SNFDC accruals, retail decontamination and decommissioning expenses are expected to increase (Tr. at 22).<sup>3</sup> The Company indicated that these expenses are approximately \$2,500 (id.). The Company also indicated that this is the

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<sup>2</sup> The Nuclear Waste Policy Act of 1982 made the U.S. Department of Energy ("DOE") responsible for the disposal of spent nuclear fuel and high-level radioactive waste from civilian nuclear power reactors (IR-DPU 1-1, citing Western Massachusetts Electric Company, D.P.U. 90-8B at 4 (1990)). WMECO's principal liability to DOE is approximately \$15.5 million for nuclear fuel burned before April 7, 1983 (id.). WMECO's contract with the DOE calls for the DOE to take control of the SNFDC prior to November 1997 or in early 1998 (Tr. at 33).

<sup>3</sup> This assessment is for the cost of decontamination and decommissioning of DOE facilities which are used to refine uranium (Tr. at 25).

initial invoice for decontamination and decommissioning expenses that has been reflected in the reloads for Millstone 3 (id.). In the future, however, the Company expects WMECo's total decontamination and decommissioning liability for Millstone 1, 2, and 3 to be approximately \$700,000 per year (id. at 24).

### III. QUALIFYING FACILITIES

Pursuant to the Department's rules, 220 C.M.R. 8.00 et seq., rates to be paid to QFs for short-run power purchases are set with the same frequency as the fuel charge. A QF is a small power producer or cogenerator that meets the criteria established by the Federal Energy Regulatory Commission in 18 C.F.R. § 292.203(a) and adopted by the Department in 220 C.M.R. § 8.02.

Pursuant to the governing regulations, the Company is required to calculate short-run energy purchase rates on a time-of-supply basis for two rating periods: peak and off-peak. In addition, the Company is required to calculate a non-time-differentiated rate, i.e., a total period rate, which is a weighted average of the time-of-supply rates, where the weighting is a function of the number of hours in each rating period. See 220 C.M.R. § 8.04(4)(b).

The Company proposed the following standard rates to be paid to QFs during December, 1993, January and February, 1994:

Energy Rates By Voltage Level (Cents/KWH)

<u>Voltage Level</u>	<u>Peak</u>	<u>Off-Peak</u>	<u>Total</u>
Transmission 2.224	2.443	2.026	
Bulk Substation 2.233	2.455	2.032	
Service at Primary Distribution From:			
23 kV 2.272	2.508	2.064	
13.8 kV	2.537	2.080	2.297
4.8/8.3 kV	2.704	2.156	2.411

Energy Rates By Voltage Level (Cents/KWH)

<u>Voltage Level</u>	<u>Peak</u>	<u>Off-Peak</u>	<u>Total</u>
Service at Secondary Distribution From:			
23 kV Primary	2.573	2.098	2.321
13.8 kv Primary	2.605	2.114	2.345
4.8/8.3 kV Primary 2.462	2.774	2.191	

Exh. WM-1

The short-run capacity rate proposed for this quarter is zero (id.).

IV. FINDINGS

Based on the foregoing, the Department finds:

1. That the fuel charge to be applied to Company bills issued



pursuant to meter readings for the billing months of December, 1993, January and February 1994, shall be .00905 per KWH. (The calculation of the fuel charge is shown in Table 1 attached to this Order.)

2. That the Qualifying Facility power purchase rates for December, 1993, January and February, 1994 shall be the rates set forth in Section III, above.

V. ORDER

Accordingly, after due notice, hearing and consideration, it is

ORDERED: That the Western Massachusetts Electric Company is authorized to put into effect a quarterly fuel charge of \$.00905 per KWH as set forth in Section IV, Finding 1 of this Order for bills issued pursuant to meters reading for the billing months of December, 1993, January and February, 1994, subject to refund; and it is

FURTHER ORDERED: That the fuel charge approved herein shall apply to kilowatthours sold to the Company's customers subject to the jurisdiction of the Department and shall be itemized separately on all such customers' electric bills; and it is

FURTHER ORDERED: That the Company's Qualifying Facility power purchase rates for the billing months of December, 1993, January and February, 1994 shall be those set forth in the Table on pages 5 and 6 of this Order; and it is

FURTHER ORDERED: That the Company, in all future fuel charge proceedings, shall notify all intervenors and their respective counsel from the Company's prior two fuel charge proceedings that it is proposing an adjustment to its fuel charge, and shall also notify these persons of the date scheduled for the hearing on the proposed fuel charge at least ten days in advance of the hearing; and it is

**FURTHER ORDERED:** That the Company, in all future fuel charge proceedings, shall provide all intervenors and their respective counsel from the prior two fuel charge proceedings with a copy of its fuel charge filing, in hand or by facsimile, on the same day it is filed with the Department; and it is

**FURTHER ORDERED:** That, pursuant to G.L. c. 164, § 94G (a) and (b), fuel costs allowed by this Order are subject to such disallowance as the Department may determine in any subsequent investigation of the Company's performance period that includes the quarter applicable to the present charges; and it is

**FURTHER ORDERED:** That the Company shall comply with all other directives contained herein.

By Order of the Department,